

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 SSO-00 NSCE-00 USIE-00
INRE-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
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O R 231216Z MAY 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 4214
INFO AMCONSUL HONG KONG

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PASS CAB (WEST, JOHNSON, PETT) DOT(DAVENPORT, KAMM)
WHITE HOUSE (JOHNSTON)

E O 11652: N/A
TAGS: EAIR, HK, UK
SUBJECT: US-UK CIVAIR NEGOTIATIONS: HONG KONG ROUTES

1. FOLLOWING FOR YOUR INFO IS SUMMARY OF UK
PAPER ON PACIFIC ALL-CARGO SERVICES (UK DOCUMENT 47).
ENTIRE PAPER IS ENROUTE WASHINGTON; ETA 24 MAY. FIRST
PERSON REFERENCES ARE UK-HK: 2ND PERSON IS US.

-. WE ARE SOMEWHAT SURPRISED THAT YOU HAVE NOT
ATTEMPTED TO DEMONSTRATE MORE PREVIOUSLY IN TERMS OF
DOLLARS AND CENTS THE STRENGTH OF YOUR ARGUMENTS FOR
RETAINING 5TH FREEDOM RIGHTS FOR US CARRIERS ON ALL-
CARGO SERVICES AT HONG KONG.

B. ACCORDING TO OUR STATISTICS, 5TH FREEDOM CARRIAGE OF
CARGO IN AND OUT OF HONG KONG AMOUNTED TO SOME 17 PER
CENT OF THE TOTAL 3RD, 4TH AND 5TH FREEDOM CARGO CARRIAGE
BY AMERICAN CARRIERS. IN TERMS OF EARNINGS THE PER-
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CENTAGE IS ESTIMATED TO BE NO MORE THAN ABOUT 6 PERCENT
OR ROUGHLY US DOLS 4.5 MILLION PER ANNUM BECAUSE REGIONAL
SECTORS ARE SHORT AND THERE IS SUBSTANTIAL OVER CAPACITY
ON WEST-BOUND FLIGHTS WHICH PRODUCES LOW YIELDS. BUT WE
ARE NOT EVEN TALKING IN TERMS OF DENYING EARNINGS
AMOUNTING TO US DOLS 4.5 MILLION TO AMERICAN CARRIERS BECAUSE
WE BELIEVE THAT A FAIR PROPORTION OF 5TH FREEDOM CARGO

CARRIGE IS UNDERTAKEN ON COMBINATION SERVICES FOR WHICH WE HAVE ALREADY CONCEDED LIMITED 5TH FREEDOM RIGHTS AFFECTING THE TWO MAJOR TRAFFIC POINTS, TOKYO AND BANGKOK. "WHILST SUCH A SUM NO DOUBT REPRESENTS A NICE DAB OF JAM FOR THE LARGE AMERICAN CARRIERS, IT REPRESENTS ESSENTIAL BREAD AND BUTTER FOR OUR OWN COMPARATIVELY FLEDGLING REGIONAL AIRLINE".

C. HONG KONG BELIEVES THAT IT MUST LOOK TO REGIONAL CARRIERS SPECIFICALLY CATHAY PACIFIC, TO DEVELOP REGIONAL CARGO TRAFFIC. SUCH CARRIERS HAVE TO ACT UNDER STRONG COMPETITIVE MARKET FORCES; GIVEN REASONABLE OPPORTUNITY TO DEVELOP, THEY WILL CERTAINLY, IN THE MEDIUM OR LONG TERM, OFFER EFFICIENT SERVICES TAILORED TO THAT MARKET. YOU YOURSELF HAVE POINTED OUT THAT TRANS-PACIFIC SERVICES DO NOT AND CAN NEVER SERVE THE REGIONAL MARKET AS CONVENIENTLY AND COMPETITIVELY AS REGIONAL SERVICES. WE THEREFORE MAINTAIN THE VIEW THAT ALL-CARGO OPERATIONS BY US CARRIERS IN THE REGIONAL MARKET SHOULD CEASE AND THAT THIS IMPLIES THE ABOLITION OF ALL FIFTH FREEDOM CARRIGE BY THOSE AIRLINES.

D. IN THE LONGER TERM, US CARRIERS DENIED REGIONAL MARKETS OUT OF HONG KONG WOULD SURELY DO BETTER TO SERVE HONG KONG ACROSS THE PACIFIC BY MORE DIRECT FLIGHTS, TAILORED TO THE LONG-HAUL CARRIAGE NEEDS OF THE HONG KONG EXPORTERS AND IMPORTERS.

E. WE APPRECIATE THAT SUDDEN CESSATION OF US TRAFFIC LIMITED OFFICIAL USE

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RIGHTS MAY BE DISRUPTIVE IN THE SHORT TERM. WE REALIZE IT WOULD PROBABLY BE NECESSARY FOR THE US LONG-HAUL CARRIERS TO CONSIDER HOW THE MARKET MIGHT BEST BE REDISTRIBUTED AND TO PLAN TO ADJUST THEIR PATTERN OF OPERATIONS ACCORDINGLY. WE FEEL THAT SUCH AN ADJUSTMENT NEED NOT TAKE TOO LONG AND WE THEREFORE SUGGEST A PERIOD OF SIX MONTHS FOR PHASING OUT ALL-CARGO FIFTH FREEDOM. WE NOTE THAT PAN AMERICAN HAVE FOUND IT POSSIBLE SIGNIFICANTLY TO AMEND THEIR PATTERN OF PASSENGER OPERATIONS BETWEEN HONG KONG, TOKYO AND AUSTRALIA IN SUCH A PERIOD.

2. COMMENT, ESPECIALLY FROM HK, WOULD BE APPRECIATED SOONEST, USDEL INTENDS TO ARGUE AT PLENARY ON MAY 24 THAT THIS PAPER IS NOT ACCEPTABLE BASIS FOR NEGOTIATION.

3. LONDON 8376 REPORTS MAY 19 SPEECH OF UK SECSTATE FOR TRADE DELL TO EFFECT OPEN MARKET APPROACH IS TO BE PREFERRED OVER PROTECTIONIST ATTITUDES. MILLER

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Control Number: n/a
Copy: SINGLE
Sent Date: 23-May-1977 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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